

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 DHA-02 IO-13 L-03 EB-08  
IGA-02 SP-02 OES-06 CU-02 TRSY-02 OMB-01 /057 W  
-----021337Z 034125 /41

P 012200Z APR 77

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC PRIORITY 867

C O N F I D E N T I A L BRASILIA 2578

FOR ARA ASSISTANT SECRETARY AND U.S. COORDINATOR  
ALIANCE FOR PROGRESS TODMAN AND ACTING AID AA/LA  
LION FROM AMBASSADOR

E.O. 11652: GDS

TAGS: PFOR, EAID, BR, IDB

SUBJ: PROGRAMMING OF SOCIAL PROGRESS TRUST FUNDS (SPTF)

REF: STATE 070190

SUMMARY: PROTRACTED NEGOTIATIONS AND APPARENT LACK OF  
CLARITY IN IDB GUIDANCE IN THE PROGRAMMING OF SPTF  
CRUZEIRO REFLOWS HAVE LED TO GOB DISSATISFACTION AND  
FRUSTRATION. FURTHER DELAYS AND ESPECIALLY OPPOSITION BY THE USG  
TO GOB-IDB/BRAZIL DEVELOPED PROGRAM ON HUMAN RIGHTS GROUNDS  
WOULD CONSTITUTE ANOTHER SERIOUS SETBACK IN BRAZILIAN-US  
RELATIONS. ONE THAT WOULD BE AGGRAVATED BY SUSPICIONS OF "ECONOMIC  
PRESSURES." SUCH ACTION WOULD BE CONTRARY TO EMBASSY RECOMMENDED  
FUTURE STEPS IN RECENT THREE-PART ANALYSIS OF BRAZILIAN-  
US RELATIONS. END SUMMARY.

1. FOURTEEN MONTHS HAVE ELAPSED SINCE IDB VICE  
PRESIDENT STERNFELD'S VISIT TO BRAZIL AT WHICH TIME HE  
REQUESTED THE GOB TO DEVELOP A PROGRAM FOR THE USE OF  
SPTF CRUZEIRO BALANCES. FOLLOWING STERNFELD'S VISIT,  
THE SECRETARIAT OF INTERNATIONAL COOPERATION (SUBIN) OF  
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THE SECRETARIAT OF PLANNING IN THE PRESIDENT'S OFFICE,  
WITH THE COOPERATION OF VARIOUS BRAZILIAN MINISTRIES,  
DEVELOPED A DOLS 36 MILLION PACKAGE OF PRIORITY PROJECTS.  
THESE PROJECTS CONCENTRATED ON RURAL DEVELOPMENT IN  
THE NORTHEAST, APPLIED AGRICULTURAL TECHNOLOGY,  
REGIONAL (INCLUDING EXTERNAL) TRAINING PROGRAMS IN  
BRAZIL, LITERACY AND SUPPORT FOR BRAZILIAN TECHNICAL

ASSISTANCE ACTIVITIES FOR LESSER DEVELOPED COUNTRIES. THE SUBIN PROPOSAL WAS TRANSMITTED BY PLANNING MINISTER VELLOSO TO FINANCE MINISTER SIMONSEN WHO, IN TURN, FORMALLY FORWARDED THE PROPOSAL TO IDB FOR APPROVAL ON AUGUST 31, 1976.

2. ALTHOUGH THE EMBASSY WAS AWARE OF THE PROBLEM OF SPTF ACCUMULATIONS, WE WERE NOT INVOLVED IN DISCUSSIONS WITH EITHER THE GOB OR THE IDB AT THE COUNTRY LEVEL IN VIEW OF POLICY APPROACHES OUTLINED IN THE MARASCIULO/ BALLANTYNE OCTOBER 24, 1975 LETTER AND ADITO CIRCULAR 381 OF JULY 3, 1976, BOTH OF WHICH EXPRESSED PREFERENCE FOR THE IDB'S TAKING THE LEADERSHIP IN PROGRAMMING SPTF BALANCES.

3. ON OCTOBER 27, SUBIN SECRETARY, MINISTER ADERBAL COSTA, RAISED THE SPTF ISSUE WITH USAID EXPRESSING IRRITATION WITH AT LEAST TWO ASPECTS OF THE IDB APPROACH. COSTA'S DISPLEASURE CENTERED ON IDB CHANGE OF SIGNALS FOR USES OF SPTF FUNDS AND THE INTRODUCTION BY THE IDB OF NEW PROJECTS INVOLVING IAF AND AITEC AS REPORTED IN 76 BRASILIA 9364. IDB ALSO REPORTED COSTA'S DISPLEASURE TO AID/W (76 STATE 268496). SUBSEQUENTLY, EMBASSY PROVIDED COSTA WITH REQUESTED BACKGROUND INFORMATION ON IAF AND AITEC AND RECOMMENDED AN EARLY VISIT OF AN IAF OFFICIAL TO MEET WITH SUBIN TO FURTHER REVIEW AND COORDINATE IAF ACTIVITIES IN LINE WITH NORMAL GOB EXTERNAL ASSISTANCE POLICIES.

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4. FOLLOWING AN OCTOBER 1976 IDB PROGRAMMING MISSION VISIT, SUBIN AND IDB/BRAZIL REWORKED A NUMBER OF THE ORIGINAL PROJECTS, THREE OF WHICH WERE FORWARDED TO IDB/WASHINGTON IN JANUARY, A FOURTH IN MARCH WITH ONE MORE UNDER REVIEW IN IDB/RIO (BRASILIA 0666 AND 2253). WE UNDERSTAND THAT THE PROJECTS WERE REDESIGNED TO MEET AID/IDB QUESTIONS REPORTED IN 76 STATE 268496. WE ARE NOT, HOWEVER, AWARE OF THE EXTENT TO WHICH IDB HAS KEPT SUBIN INFORMED ON AID/IDB SPTF PROGRAMMING OBJECTIVES AND/OR U.S. CONGRESSIONAL RESTRICTIONS ON USE OF FUNDS.

5. THE IMPLICATION IN REFTTEL THAT THE REVISED GOB/IDB-BRAZIL PROPOSALS MAY NOW BE DEFERRED OR AN ATTEMPT MADE TO BLOCK BRAZIL PROJECTS ON HUMAN RIGHTS GROUNDS (PRESUMABLY THROUGH APPLICATION OF THE HARKIN AMENDMENT) WOULD REPRESENT A FURTHER SERIOUS SETBACK IN US/BRAZIL RELATIONS. BRAZILIAN SUSPICIONS OF "ECONOMIC PRESSURES" ASSOCIATED WITH THE NUCLEAR ISSUE ONLY

ADD ANOTHER DIMENSION TO THE HR SENSITIVITY.

6. IT HAS BEEN OUR UNDERSTANDING THAT THE HARKIN AMENDMENT PROVIDED THAT... "THE UNITED STATES EXECUTIVE DIRECTOR OF THE BANK IS AUTHORIZED AND DIRECTED TO VOTE AGAINST ANY LOAN, ANY EXTENSION OF FINANCIAL ASSISTANCE TO ANY COUNTRY WHICH ENGAGES IN A CONSISTENT PATTERN OF GROSS VIOLATIONS OF INTERNATIONALLY RECOGNIZED HUMAN RIGHTS...UNLESS SUCH ASSISTANCE WILL DIRECTLY BENEFIT THE NEEDY PEOPLE IN SUCH COUNTRY,"... AND THAT ..."GENERAL COUNSELS OF TREASURY, STATE AND AID HAVE AGREED THAT "THE NEEDY' IN THE IDB LEGISLATION CAN BE RATHER BROADLY DEFINED, AND NOT AS NARROWLY AS UNDER AID PRACTICE, THE IDB IS NOT SUBJECT TO THE SAME PROGRAM RESTRAINTS AS AID."  
(SOURCE: AA/LA-LION INFORMATION MEMORANDUM FOR THE AID ADMINISTRATOR, JULY 26, 1976.) IN OUR THREE-PART  
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SERIES OF CABLES ON US/BRAZILIAN RELATIONS (BRASILIA 2018, 2090 AND 2222), WE IDENTIFIED THE IMPORTANCE IN OUR NEAR FUTURE RELATIONSHIPS WITH BRAZIL OF NOT APPLYING THE HARKIN AMENDMENT TO IFI PROJECTS (PARA 2C-(9) OF BRASILIA 2222-RECOMMENDED NEXT STEPS). IN MAKING THIS RECOMMENDATION WE REITERATED THAT THE EMBASSY POSITION REMAINS THAT THE SITUATION IN BRAZIL WITH RESPECT TO BASIC HUMAN RIGHTS DOES NOT REVEAL A CONSISTENT PATTERN OF GROSS VIOLATIONS.

7. WE BELIEVE EVERY EFFORT SHOULD BE MADE TO APPROVE THE GOB PROJECTS AS SUBMITTED TO IDB FOR SPTF FUNDING AS LONG AS THEY OTHERWISE MEET THE PROJECT CRITERIA AS EXPLAINED TO SUBIN BY IDB/W AND IDB/BRAZIL OFFICIALS.  
CRIMMINS

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